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ARIZONA CORPORATION COMMISSION
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Attorneys for Southwest Energy
Efficiency Project

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF)
TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS 2011-2012 ENERGY)
EFFICIENCY IMPLEMENTATION PLAN)

DOCKET NO. E-01933A-11-0055

**NOTICE OF FILING
REBUTTAL TESTIMONY OF
JEFFREY SCHLEGEL ON
BEHALF OF SOUTHWEST
ENERGY EFFICIENCY
PROJECT**

Southwest Energy Efficiency Project ("SWEEP"), through its undersigned counsel,
hereby provides notice that it has this day filed the rebuttal testimony of Jeff Schlegel.

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Arizona Corporation Commission

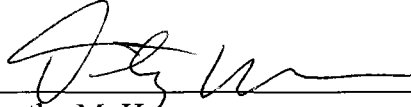
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1 RESPECTFULLY SUBMITTED this 6th day of July, 2012.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST

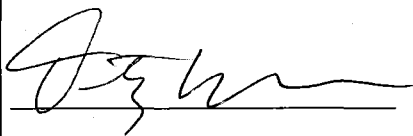
4 By 
5 Timothy M. Hogan
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9 Project

10 ORIGINAL and 13 COPIES of
11 the foregoing filed this 6th day
12 of July, 2012, with:

13 Docketing Supervisor
14 Docket Control
15 Arizona Corporation Commission
16 1200 W. Washington
17 Phoenix, AZ 85007

18 COPIES of the foregoing
19 Electronically mailed this
20 6th day of July, 2012 to:

21 All Parties of Record

22 
23
24
25

1 **Introduction**

2
3 Q. Please state your name and business address.

4
5 A. My name is Jeff Schlegel. My business address is 1167 W. Samalayuca Drive, Tucson,
6 Arizona 85704-3224.

7
8 Q. Did you submit direct testimony in this proceeding?

9
10 A. Yes. I filed direct testimony on behalf of the Southwest Energy Efficiency Project (SWEEP)
11 on June 15, 2012.

12
13 Q. Have there been any changes in your qualifications or representation of SWEEP?

14
15 A. No.

16
17 Q. What is the purpose of your testimony?

18
19 A. In my testimony, I will to respond to several issues raised by Commission Staff and
20 interveners in their direct testimony.
21

22 **SWEEP Response to Issues Raised by Commission Staff and Interveners**

23
24 Q. Several parties supported the Updated Plan in their testimony. What is SWEEP's position on
25 the Updated Plan?

26
27 A. SWEEP supports the Updated Plan as a framework to restore existing energy efficiency
28 programs and to establish new cost-effective energy efficiency opportunities to help more
29 and new customers – including renters, small businesses, and schools – save money and
30 energy and reduce their utility bills. If approved, the Updated Plan will deliver substantial
31 customer, economic, environmental, and utility system benefits and put local contractors
32 back to work, bringing stability and continuity to the demand side management marketplace.
33 Commission approval of the Updated Plan will also ensure delivery of these important
34 customer services and benefits in the near-term, long before the conclusion of the Tucson
35 Electric Power Company's (TEP) next general rate case, which could be more than one year
36 away.

37
38 The Updated Plan is a compromise that SWEEP supports because it will result in the delivery
39 of important public interest benefits for TEP customers over the next year while the utility
40 company's general rate case application is processed. As SWEEP previously testified, the
41 Updated Plan represents a product developed through many hours of conversations between
42 TEP, Commission Staff, the Residential Utility Consumer Office, Freeport McMoRan
43 Copper & Gold, Inc., Arizonans for Electric Choice and Competition, and SWEEP. To that

1 end, it considers mutual concessions and represents a give and take on a series of issues.
2 SWEEP would not normally compromise on several of the issues contemplated by the
3 Updated Plan. However, in the interest of working vigorously to ensure that consumers have
4 adequate opportunities to reduce their utility bills, and soon, SWEEP was willing to work
5 with others to forge and support a compromise that balances the various parties' interests.
6 SWEEP emphasizes that this is a short-term solution to benefit customers now, which will be
7 superseded by the outcome of the rate case proceeding next year.
8

9 Q. In its testimony, Staff proposed alternatives to the Updated Plan. What is SWEEP's position
10 on Staff's alternative proposals?
11

12 A. Considering the positions of the various parties in this proceeding, SWEEP is concerned that
13 Staff's alternative proposals would not have the broad support that exists for the Updated
14 Plan. As a result, Staff's proposals could result in a delay in Commission approval of a
15 timely solution and ultimately may result in a delay in customers receiving the utility bill
16 savings and benefits from the cost-effective programs.
17

18 SWEEP is supporting the Updated Plan compromise even though Staff's alternative proposal
19 would result in more energy efficiency program funding.
20

21 Q. Does SWEEP support Staff's proposal to expand TEP's energy efficiency budget?
22

23 A. While SWEEP very much appreciates Staff's recommendation to expand TEP's energy
24 efficiency budget, in the spirit of compromise, SWEEP is willing to agree to and support a
25 lower level of program funding than it would usually recommend because we want to ensure
26 that consumers have adequate opportunities to reduce their utility bills well before the
27 conclusion of TEP's next general case. Approval of the Updated Plan and its associated
28 program and budgets will ensure that energy efficiency offerings previously available to
29 customers are reinstated and that new offerings serving more customer segments including
30 renters, small businesses, and schools are enacted. Such programs are necessary in order for
31 TEP to be on a pathway to achieve the benefits contemplated by the Commission when it
32 adopted the Electric Energy Efficiency Standard. In our direct testimony, SWEEP also
33 argued that TEP should prepare a filing that will propose new energy efficiency programs or
34 program enhancements in 2013 to ensure it continues along a pathway for achievement of the
35 cumulative energy savings requirements set forth in the Standard. We believe that this filing
36 or the rate case proceeding represent the most appropriate time to propose the next round of
37 new programs, program modifications, and program budget expansions.
38

39 SWEEP notes that the higher program funding proposed by Staff (\$23.2 million) would
40 support energy efficiency programs in the field. This higher amount of funding would not
41 result in higher performance incentives or earnings for TEP. As shown in the chart below,
42 Staff's proposal results in lower performance incentives for the Company in 2012 than the
43 level proposed in the Updated Plan. SWEEP stresses that the Updated Plan is an effort to
44 bridge a number of issues in order to provide customers with energy-and-money saving
45 opportunities a timely manner. As such, the 2012 performance incentive level in the Updated
46 Plan represents an amount around which the supporting parties compromised.

	Commission Staff Proposal	Updated Plan
Carry Over Balance	\$3,861,556	\$3,861,556
15-month Program Budget	\$23,165,758	\$18,532,606
2010 Performance Incentive	\$1,114,648	\$1,114,648
2011 Performance Incentive	\$1,101,749	\$1,101,749
2012 Performance Incentive	\$902,986	\$3,283,854
TOTAL	\$30,146,697	\$27,894,413

Q. What is SWEEP's position on the performance incentive and the performance incentive floor?

A. SWEEP supports the performance incentive proposed in the Updated Plan. SWEEP understands the technical possibility of Staff's concerns related to the performance incentive floor. However, SWEEP thinks that it is highly unlikely that TEP would receive a performance incentive payment without delivering the significant customer savings and benefits to which the utility has committed itself. Indeed, SWEEP fully expects TEP to honor its commitment to implement effective energy efficiency programs and deliver money and energy savings for customers, as set forth in the Updated Plan. SWEEP notes that TEP has delivered successful, nationally recognized energy efficiency programs for the last three years even though it experienced lost revenues while doing so. In addition, TEP has demonstrated its good faith commitment by filing a plan to improve money-and-energy-saving opportunities for customers; participating in negotiations to develop the Updated Plan; and filing comments supportive of energy efficiency and its associated customer benefits in this proceeding. Finally, SWEEP notes that any bad faith actions of TEP – which SWEEP thinks are highly unlikely – could be addressed in TEP's rate case deliberations.

SWEEP also supports the performance incentive metrics, which are aligned with important activities and outcomes that provide value to customers.

Q. In its testimony, Staff expressed concerns about the impact to small business customers. What is SWEEP's position on this?

A. In its direct testimony, SWEEP also expressed concerns about the bill impact for small commercial customers. SWEEP further proposed that it could accept the relatively higher total utility bill % increase for small commercial customers, which is only a slightly higher % bill impact than the level that large commercial customers would experience, for the interim period of the Updated Plan, as long as the small commercial customers as a class receive at least the level of EE program funding collected from small commercial customers. In this manner, the small commercial class would be receiving the benefits of the funding collected from their customer class.

Conclusion

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Q. Does this conclude your testimony?

A. Yes.